Passports Can Be Taxing

By Reg P. Wydeven
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April 15 is quickly approaching. Of course, that means it's time to pay taxes. Each year I remind myself that we are so blessed to live in the greatest country in the world. We have the best military, the best schools, beautiful national parks I can get to on safe highways, and a whole host of other wonderful amenities that my taxes support. Despite all that, I still hate writing out that check.

As painful as writing that check can be, it's far, far worse not to. To keep our country running, the IRS has been bestowed with more power than almost any other governmental agency. If you fail to pay your taxes, the IRS can file a tax lien against you; levy your bank account; garnish your wages; and even seize and sell your assets, including your home.

In other words, you simply can't escape the IRS. And under a new law, you literally can't escape.

The Fixing America's Surface Transportation Act, or FAST Act, even further beefs up the IRS's ability to collect back taxes. Under the Act, the Service is required to furnish a list of individuals who owe taxes to the U.S. State Department. In turn, the State Department can deny, revoke or limit the ability of these people to use their passports.

After President Obama signed the bill, the FAST Act became effective on December 4, 2015. The passport restrictions are contained in a section of the FAST Act entitled Revocation or Denial of Passport in Case of Certain Tax Delinquencies. This section requires the IRS to identify and report to the State Department any individuals who owe "seriously delinquent tax debt."

To be considered seriously delinquent, the taxpayer must owe a legally enforceable tax liability of more than $50,000. This figure includes penalties and interest, which can wrack up quickly and soon exceed the original tax liability. In addition, the taxpayer must also have a tax lien filed against them, and all administrative remedies for lien relief must have lapsed or been denied.

Although the Act has been on the books for over a year, the IRS needed time to compile the list of delinquent taxpayers, which it has now done. So starting this month, the IRS will begin sending out Letter 508C to the State Department. The letter, a copy of which will also go to the taxpayer, certifies an individual's seriously delinquent tax debt.

Once the State Department is put on notice of the taxpayer's debt, it can revoke, deny or limit the use of the person's passport. As a result, the restrictions will significantly impact the ability of a delinquent taxpayer who travels to leave the country. In addition, the State Department can deny new passport applications or renewals for people who owe back taxes.

Once on the list, the taxpayer has a 90-day window to prove they were on the list by mistake or restore their status to good standing by satisfying the debt or establishing a payment plan. The State Department, however, offers no such grace period and can revoke a passport immediately.

If you owe back taxes, protect your passport by getting on a payment plan with the IRS. Taxpayers can now contact the National Passport Information Center to inquire about their situation by calling (877) 487-2778.

While there has been a lot of talk about travel bans this year, this restriction has flown under the radar.